

Message Text

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C O N F I D E N T I A L USNATO 4280

E.O. 11652: 31-12-79

TAGS: MCAP, NATO

SUBJECT: BURDEN SHARING:MEETING OF THE STUDY GROUP

REF: USNATO 3966; USNATO 3984; STATE 179031

SUMMARY. ON SEPTEMBER 11 STUDY GROUP ON FINANCIAL PROBLEMS ARISING FROM THE STATIONING OF FORCES ON THE TERRITORY OF OTHER NATO COUNTRIES REVIEWED INITIAL IS DRAFT REPORT TO NAC (AC/291-WP(73)1) PARAGRAPH BY PARAGRAPH. REVISED DRAFT REPORT TAKING INTO ACCOUNT COUNTRY COMMENTS AND DATA INPUTS IS TO BE CIRCULATED WEEK OF SEPTEMBER 17 FOR A SECOND REVIEW BY STUDY GROUP ON SEPTEMBER 28. CHAIRMAN URGED COUNTRIES TO SUBMIT OUTSTANDING DATA NEEDED TO FILL IN GAPS IN CURRENT DRAFT AS SOON AS POSSIBLE. MOST OF STUDY GROUP CHANGES TO CURRENT DRAFT WERE FACTUAL OR EDITORIAL. DELEGATIONS WERE INTERESTED IN RECEIVING FULL CREDIT FOR CURRENT NATIONAL EFFORTS BEING MADE TO ALLEVIATE US BOP PROBLEM; IN PARTICULAR GERMANY CLAIMED PAST OFFSET AGREEMENTS HAVE COVERED 100 PERCENT OF US MILITARY BOP DEFICIT WITH FRG. NO COUNTRY OUTRIGHTLY REJECTED ANY OF THE LISTED POSSIBLE SOLUTIONS, BUT NO COUNTRY MADE ANY NEW PROPOSALS FOR POSSIBLE INCLUSION IN CONFIDENTIAL

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REMEDIAL OPTIONS. DRAFT REPORT TO NAC DOES NOT COMMIT ANY COUNTRY TO ANY PARTICULAR SOLUTION. END SUMMARY.

1. FOLLOWING GENERAL COMMENTS, STUDY GROUP ON SEPTEMBER 11 IN

MORNING AND AFTERNOON SESSIONS REVIEWED INITIAL IS DRAFT REPORT TO NAC (AC/291-WP(7391) PARAGRAPH BY PARAGRAPH. MOST OF STUDY GROUP CHANGES TO CURRENT DRAFT TO NAC WERE FACTUAL OR EDITORIAL. DELEGATIONS WERE PARTICULARLY INTERESTED IN RECEIVING FULL CREDIT FOR CURRENT EFFORTS BEING MADE TO ALLEVIATE US BOP PROBLEM. ALL CONTESTED DATA QUESTIONS WERE LEFT TO BE SETTLED OUTSIDE OF STUDY GROUP THROUGH BILATERAL DELEGATION CONTACTS.

2. FRG PRESENTED SOME CHANGES AND SOME ADDITIONS TO DATA IN THE DRAFT REPORT. FRG REP SPECIFIED THAT STUDY SHOULD RECOGNIZE THAT FULL COMPENSATION HAS BEEN MADE FOR US MILITARY BOP DEFICIT IN FRG WITHIN FRAMEWORK OF OFFSET AGREEMENTS: OFFSET AGREEMENT ACCOUNTS FOR 80 PERCENT OF DEFICIT AND THE US HAS AGREED TO THE PRINCIPLE THAT REMAINING 20 PERCENT FLOWS BACK THROUGH OTHER CHANNELS. GERMAN REP ALSO STRESSED HIS COUNTRY SHOULD RECEIVE CREDIT FOR ITS MONETARY POLICY ON EXCHANGE RATES WHICH REDOUNDED TO US BENEFIT. IN PARTICULAR, HE POINTED OUT GERMANY INTERVENED IN MONEY MARKETS IN FAVOR OF US DOLLAR AND REFRAINED FROM SELLING DOLLARS FOR GOLD WHEN DOLLAR WAS VERY WEAK. GERMAN REP EXPRESSED STRONG DESIRE TO DELAY NEXT MEETING UNTIL AT LEAST EARLY OCTOBER TO ALLOW TIME FOR FURTHER STUDY IN NATIONAL CAPITALS.

3. US REP (GENERAL BOWMAN) SUGGESTED THAT INFORMATION RELATED TO CURRENT BURDEN-SHARING ACTIVITIES BY VARIOUS ALLIES BE CONCENTRATED IN ONE SECTION OF THE REPORT IN ORDER TO KEEP THE OVERALL FOCUS ON SOLVING THE REMAINING PROBLEM RATHER THAN ON THE GOOD THINGS ALREADY BEING DONE.

4. NORWAY REP SAID THAT NORWAY COULD BEST CONTRIBUTE TO REDUCING US FINANCIAL BURDEN BY HELPING TAKE UP SLACK FOR A REDUCED US SHARE OF INFRASTRUCTURE FUND AND BY MAKING A CONTRIBUTION TO A NEW EDIP. NORWAY ALSO RECOGNIZED THE FINANCIAL PROBLEM OF STATIONING US TROOPS IN CENTRAL EUROPE, BUT POINTED OUT NORWAY HAD A MILITARY BOP DEFICIT WITH THE US AND THAT IT WOULD NOT BE PROPER IN THEIR VIEW TO TRANSFER CONFIDENTIAL

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BUDGETARY RESOURCES TO HELP DEFRAY US EXPENSES IN THE CENTRAL REGION.

5. TURKEY, WITH GREEK SUPPORT, EXPRESSED DESIRE FOR US TO HOLD PRELIMINARY DISCUSSIONS WITH NATIONAL AUTHORITIES BEFORE SURFACING TO STUDY GROUP US SUGGESTIONS FOR JOINT BASING. US REP STRESSED US WOULD BE VERY HAPPY TO RECEIVE SUGGESTIONS FOR JOINT BASING PROJECTS AND OTHER REMEDIAL MEASURES FROM SOURCES OTHER THAN OUR OWN NATIONAL AUTHORITIES.

6. US LANGUAGE ON PARA 19 ON ADDITIONAL BUDGETARY EXPENDITURES INCURRED BY STATIONING OF US FORCES IN EUROPE WAS ACCEPTED BY STUDY GROUP, AS WAS US SUGGESTION FOR A NEW SECTION DEALING

WITH THE OPTION OF REDUCING THE US COST SHARING PERCENTAGE OF THE NATO MILITARY AND CIVILIAN BUDGETS AND THE CENTRAL EUROPEAN PIPELINE SYSTEM.

7. IS AGREED TO REWRITE PARAGRAPH 18 DEALING WITH FUTURE US BALANCE OF PAYMENTS TRENDS IN ORDER TO PROVIDE A MORE BALANCED ANALYSIS (LESS OPTIMISTIC). IS REQUESTED MORE DETAILS FROM US ON MULTILATERAL FUNDING SCHEMES OPTION, PARA 55.

8. GROUP AGREED TO INSERT S AN ANNEX, UK STATEMENT OF BALANCE OF PAYMENTS PROBLEM ARISING FROM STATIONING OF UK FORCES OUTSIDE OF UK IN CONTINENTAL NATO EUROPEAN TAKING INTO ACCOUNT OFFSETTING RECEIPTS. ALSO, SIMILAR ANNEXES WILL BE ADDED BY BELGIUM AND THE NETHERLANDS.

9. CHAIRMAN URGED COUNTRIES TO SUBMIT OUTSTANDING DATA NEEDED TO FILL IN GAPS IN CURRENT DRAFT AS SOON AS POSSIBLE. CHAIRMAN STRESSED THAT TIMING OF DATA INPUTS WOULD DICTATE STUDY GROUP REVIEW SCHEDULE. STUDY GROUP ALSO AGREED THAT COUNTRIES, IF POSSIBLE, WOULD PROVIDE RESPONSES TO GERMAN QUESTIONS ON COMPOSITION OF COUNTRY DEFENSE BUDGETS. COPY OF GERMAN QUESTIONS BEING CARRIED TO WASHINGTON BY MR. NUCKOLS.

10. REVISED DRAFT REPORT TAKING INTO ACCOUNT NATIONAL COMMENTS AND DATA INPUTS IS TO BE CIRCULATED DURING FIRST DAYS OF WEEK OF SEPTEMBER 17 FOR A SECOND REVIEW BY STUDY GROUP ON SEPTEMBER 28. STUDY GROUP HAS ALSO SCHEDULED A SECOND MEETING TO REVIEW DRAFT REPORT FOR OCTOBER 4.
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11. COMMENT. ACCURACY AND ACCEPTABILITY OF DATA IS ACQUIRING INCREASING IMPORTANCE AS DRAFT REPORT GETS CLOSER TO SUBMISSION TO NAC. IF WASHINGTON COULD IMPROVE ON ESTIMATED AVAILABILITY DATE (SEPTEMBER 19) OF REFINED DATA, INFORMATION COULD BE INSERTED INTO REVISED DRAFT WHICH IS TO BE REVIEWED BY STUDY GROUP ON SEPTEMBER 28. INCLUSION OF US DATA SHOULD HELP SPEED UP REVIEW PROCESS. ANY WASHINGTON COMMENTS ON ACCEPTABILITY OF DATA INPUTS FROM OTHER COUNTRIES WOULD ALSO BE HELPFUL, AS WOULD WASHINGTON COMMENTS ON SUGGESTED LANGUAGE FOR INCLUSION IN OPTION OF MULTILATERAL FUNDING SCHEMES, PARA 55.
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